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(DD/P-4-7859)

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15 July 1959

EYES ONLY

MEMORANDUM FOR: Acting Chief, Development Projects Division

SUBJECT : FY-1960 Budget

1. I have just had a preliminary glance at the DPD budget for FY-60 and am writing this to register my alarm at tendencies therein apparent. Pending a more searching review, I call these points to your attention so we may be prepared to discuss them at an appropriate time.

25X1 a. The Eastman Kodak Contract shows an increase of over last year. 25X1

25X1 b. CHALICE operating costs has a total showing an increase from This does not include Air Section costs which are shown separately on the Finance Officer's budget sheets. It includes, among other items, a large increase for salaries of Government employees, notably at Headquarters and a large increase in foreign base operation and maintenance.

c. The Air Section budget is going to need very careful justification.

d. I hope it is understood by all concerned that the DPD personnel ceiling in Headquarters cannot be increased or exceeded at all without my approval which will not be forthcoming except on the basis of the most powerful justification. A major effort should be made to effect further reductions in Headquarters personnel to allow for one or two additional people who may be needed during the year in very hard pressed areas.

e. The format of the budget suggests to me that a further look must be given at the way in which procurement and development for Air Section programs are handled. I doubt if it is wise to have within DPD two or more separate groups carrying on development and major procurement. I believe you should give careful consideration to

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concentrating all DPD's development work in the Development Section. As to the procurement of off-the-shelf items, []
[] I am aware that a case can be made for placing this with the Materiel Section but I am far from convinced that this is wise. I am well aware that as a part of our redistribution of functions a little less than a year ago, it was agreed that responsibility for what might be termed routine procurement in connection with ground operations and maintenance activities should be the primary responsibility of the Materiel Section (acting of course through Contracts). I also remember that part of the purpose of this change was to relieve what we then called the Development and Procurement Section of initiating responsibility for a type of procurement over which it could not in fact exercise any supervisory control. On the other hand, it was never my conception that we would shift responsibility for the procurement of major items, which amount to major new systems, even though they are in what might be called an off-the-shelf basis.

2. To summarize the preceding paragraph, I make the following specific suggestions for early discussion with you.

a. The Air Section should have no greater and no different role than the rest of Operations.

b. Materiel should be responsible for routine procurement of goods and services required in support of current maintenance and operations but not of major systems or sub-systems.

c. The Development Section (perhaps renamed) should have responsibility for all development work and for initiating procurement of major systems.

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O&Z - Addressee
L-DD/P Chrono (RMB)

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